DOCUMENT RESUME

ED 324 752 EA 022 261

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TITLE The Fairness of Equalization Formulas.
PUB DATE Jan 90
NOTE 11p.
PUB TYPE Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Declining Enrollment; *Educational Equity (Finance); Educational Finance; Elementary Secondary Education; Enrollment Influences; Enrollment Rate; *Equalization Aid; Expenditure per Student; Finance Reform; *Financial Policy; Fiscal Capacity; Foreign Countries; Population Distribution; Population Growth; Property Taxes; Rural Schools; School District Reorganization; School District Spending; State Aid; Student Mobility; Urban Schools
IDENTIFIERS *Manitoba

ABSTRACT

The fairness of equalization formulas adopted by the government of Manitoba (Canada) is assessed. A conclusion is that although the concept of equalization is equitable, implementation of the policy is problematic. Limitations of the current equalization formula are that property assessment per pupil is an invalid index of fiscal capacity; enrollment and assessment per student are dependent variables; and rural and urban labels are insufficient descriptors. (LMI)

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THE FAIRNESS OF EQUALIZATION FORMULAS

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January 1990

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EA 022 261

Abstract

This paper provides the reader with comments as to the fairness of equalization formulas adopted by government of Manitoba for the purpose of supporting the public school system. The authors conclude that because of the interdependency of variables within the formulas the fairness claim can justly be challenged.

THE FAIRNESS OF EQUALIZATION FORMULAS

by

Anne L. Jefferson and Michael J. Wagner

It is generally believed that all children, regardless of where they reside or the social-economic status of their parents, ought to have access to an education of high quality. However, the principle obstacle to the provision of superior educational services is most often access to sufficient funds by the authority responsible for the provision of education. Quality education does not necessarily require enormous expenditures, but a lack of sufficient funds can be crippling.

Public school education in Canada is funded by grants and transfer payments from the province as well as by local levies imposed on assessable property - without restrictions in the majority of provinces. The tax base for the school systems in any given province however is not uniform but highly variable. Because of this variation, school system "A" possessing a large tax base, "X" number of students, and intent on providing a high level of educational services need not tax its taxpayers as heavily as school system "B" possessing the same number of students, desirous of providing the same level of educational

services, but possessing a much smaller tax base.

If hypothetical school systems "A" and "B" had the same total population, it would be quite clear that "A" was rich and that "B" was not rich. The provincial government's concern is that such differences in wealth ought not determine the quality of education available to students. Hence, equalization grants, whose purpose is to offset the financial limitations of poor school systems, were and remain a major component of any funding scheme adopted by the provincial government in its support of the public school system.

The question that now arises is not whether the principle of equalization is fair - for it is - but whether the equalization formula is both efficacious and fair.

The population of southern Manitoba, for example, has undergone significant changes in its distribution and demographic structure in the past 40 years. During this period of time, there has been a substantial decrease in not only farm population but also total rural population. At the same time, the populations of the major urban centres and the neighboring rural municipalities (RM) have increased. In addition, the general population has become older and average family size in the south has decreased. A consequence has been a decrease in the proportion and absolute number of school-age children in southern

Manitoba's population. None of these trends are unique to Manitoba - rural depopulation, urban growth, and an increasingly aged population is the norm in Canada and the United States. For this reason, we focus on the province of Manitoba to exemplify a concern with the use of equalization formulas.

Winnipeg Urban Region

Winnipeg has long been the most populous urban centre in the province of Manitoba. In fact, it has all the attributes of a primate city -a city at least ten times larger than its nearest rival and one which dominates its political unit. Since the 1950's, an area which will be identified as the Winnipeg Urban Region (WUR: Winnipeg plus the Rural Municipalities of St. Francois Xavier, Woodlands, Rockwood, St. Andrews, Selkirk, West St. Paul, East St. Paul, St. Clements, Brokenhead, Springfield, Tache, St. Anne, Hanover plus Niverville and Steinbach, De Salaberry, and Ritchot) has accounted for an ever greater proportion of Manitoba's population. In 1976, the WUR accounted for 63.7% of the provincial population - by 1986, this proportion had risen to 68.3%.

The growth of the WUR is real although, because of substantial and continuing rural depopulation, the dominance of the WUR has perhaps been exaggerated. Nevertheless, real

population growth in excess of the 4.06% provincial rate between 1976-86 has taken place. The City of Winnipeg increased its population by 6% (33,000) during this period. But the RM component of the WUR grew by 41.5% (38,000) and now accounts for 12.7% of the total provincial population (in 1976, it accounted for 8%).

It is not unreasonable to assume that with future censuses more and more of the province's population will be concentrated in the WUR. In addition, it is probable that a greater proportion of the WUR's population will be in the RMs. Meanwhile, it is apparent that rural depopulation, well underway in the 1950's and 1960's, is not abating.

Rural Region

The problem of rural depopulation is serious, for at some point the viability of school systems as well as local government bodies comes into question. For example, the small village of Napinka in the southwestern RM of Brenda ceased to exist as a separate corporate entity in 1986. There is little doubt that many other small villages, having endured decades of population decline, will some day also cease to exist as legal entities.

The disappearance of small villages is directly linked to the long-term decline in farm population. Between 1951-81, on-

farm population dropped steadily from about 220,000 to 96,360. This steady decline in the farm population has persisted. With a decline in farm population comes a reduction in the need for the goods and services traditionally provided by the small communities of southern Manitoba. As a consequence, their economies dwindle, people move away, and eventually some communities die. For example, between 1976-86, 19 of the 40 villages and 11 of the 32 towns in southern Manitoba lost population. Most of these communities are in the southeast and in western Manitoba. These have been regions of urban (as well as rural) population decline since the 1950's (see Atlas of Manitoba, p. 30-31, for the 1956-76 trend).

As of 1986, almost 40 of the 105 RM had populations below 1,000. Eleven of these are situated in the southwest corner of the province. At what point will their populations become too small for the effective administration of their territories? RM's may merge to form larger units or may devolve to Local Government District (LGD) status either with or without a merger. While the merging of local authorities in regions of population decline is feasible for governmental bodies, a similar response for school systems, while not unfeasible, is not without obstacles.

Student Movement

Of the 44 major school systems in southern Manitoba only seven had enrolments below 2,000 in 1971. By 1986, 24 of the 44 school systems had less than 2,000 students. Furthermore, of the 24, 17 had less than 1,500 students and two had less than 1,000 students. For the province as a whole, only nine of the 54 school systems had increases in student numbers between 1971-86. Overall, student numbers dropped by 22% from their 1971 level. In the extreme this drop ranged from 47.5% to 52.2%, with four school systems involved. Each of these school systems overlies an area of rural depopulation.

Drastic enrolment decline has not been restricted to rural school systems. Two school systems within the WUR suffered enrolment drop as high as 60.3% and 45.6% between 1986 and 1971. Others suffered a percentage decrease as high as 70%. Three contributing variables for this change in enrolment over the examined 15 years are an aging population, size of the area, and limited possibility of additional housing development. The latter variable the more dominant variable.

In short, enrolment decline is not likely to go away in rural southern Manitoba or in some urban school systems. Coupled with continued general rural population decline, the viability of many school systems is going to become increasingly problematic

in the not too distant future. Amalgamation may be necessary for financial reasons but whether the number of schools and teachers can be reduced is moot. There is, after all, a limit on how much time and how far students can be bused on a daily basis.

The Combined Effect of Population and Enrolment Shifts

Major changes in population structure and distribution since the 1950's have radically transformed the educational geography of southern Manitoba. Rural depopulation is undermining the viability of many school systems because of enrolment decline and a potential threat to assessment-generated revenues. At the same time, the remarkable population growth of the RMs in the WUR and the growth of enrolment in the overlying school systems will increase pressure for the construction of new schools.

Conclusion

The concept of equalization is both equitable and fair. It is merely the implementation of the policy that causes difficulty. Property assessment per pupil has been shown to have limited validity as an index of a school system's "wealth" or "poverty" and hence of a system's need for equalization support. Furthermore, enrolment and assessment per pupil are oftentimes dependent variables. That is to say, an increase in assessment

comes about because of population growth which is directly caused by families with children moving into newly built houses in the school system. Dependent variables ought not to be used in the formula which extends to equalize differences amongst school systems; yet, the opposite is normally found to be reflective of practice. Also, the practice of using the urban or rural base of a school system in determining its need is no longer appropriate. Urban and rural labels are insufficiently descriptive and obscure the very real differences that exist amongst such school systems.

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Date Filmed

March 29, 1991